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BUREAU OF CONSUMER FINANCIAL PROTECTION

**Consumer Credit Card Market Report of the Bureau of Consumer Financial Protection,
2019**

AGENCY: Bureau of Consumer Financial Protection.

ACTION: Consumer Credit Card Market Report of the Bureau of Consumer Financial Protection Bureau.

SUMMARY: The Bureau of Consumer Financial Protection is issuing its fourth biennial Consumer Credit Card Market Report to Congress. The report reviews developments in this consumer market since the Bureau's most recent biennial report on the same subject in 2017.

DATES: The Bureau released the 2019 Consumer Credit Card Market Report on its website on August 27, 2019.

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SUPPLEMENTARY INFORMATION:

Message from Kathleen L. Kraninger, Director

Credit cards are one of the most commonly-held and widely-used financial products in America. At last count, nearly 170 million Americans hold credit cards, many of them carrying more than one. Some consumers use these strictly as payment devices, paying their balances in

full each month, while others use them as a source of credit and carry a balance from month to month.

The Credit Card Accountability Responsibility and Disclosure Act (CARD Act or Act)¹ requires the Bureau to prepare a biennial report to Congress regarding the consumer credit card market. This is the Bureau’s fourth report, and details findings regarding, among other things, the cost and availability of credit and innovations in the credit card marketplace. The report also emphasizes that with the passage of time, it is becoming increasingly difficult to correlate the CARD Act with specific effects in the marketplace that have occurred since the issuance of the Bureau’s last biennial report, and, even more so, to demonstrate a causal relationship between the CARD Act and those effects. Accordingly, while the Bureau will continue to report on the CARD Act’s effects where appropriate and feasible, the Bureau anticipates future reports will focus more on overall conditions in the credit card market.

Evidence-based research like this is one way in which the Bureau discharges its statutory duty to monitor for risks to consumers in the offering or provision of consumer financial products and services. It is my hope that the publication of this report with the latest data on this important market will be useful to consumers, providers of credit card products, and policymakers.

1. Consumer Credit Card Market Report of the Bureau of Consumer Financial Protection, 2019

1.1 Review Mandate

In May 2009, Congress passed the CARD Act. The Act made substantial changes to the credit card market. Its stated purpose was to “establish fair and transparent practices related to

¹ Pub. L. No. 111-24, 123 Stat. 1734 (2009).

the extension of credit” in the credit card marketplace.² The Act mandated new disclosures and underwriting standards, curbed certain fees, and restricted certain interest rate increases on existing balances.³

Among the CARD Act’s many provisions was a requirement that the Board of Governors of the Federal Reserve System (Board) report every two years “within the limits of its existing resources available for reporting purposes” on the consumer credit card market, including a number of specified topics.⁴ With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in 2010, that requirement passed to the Bureau of Consumer Financial Protection (Bureau) alongside broader responsibility for administering most of the CARD Act’s provisions. This is the fourth report published pursuant to that obligation, building on prior reports published by the Bureau in 2013, 2015, and 2017.⁵

² *Id.*

³ A full summary of CARD Act rules implemented by the Board is at pages 11 through 13 of the Bureau’s 2013 Report. See Bureau of Consumer Fin. Prot., *Card Act Report*, (Oct. 1, 2013) (2013 Report), http://files.consumerfinance.gov/f/201309_cfpb_card-act-report.pdf. The Bureau subsequently reissued these rules without material changes in December 2011. It has since amended the ability to pay rules and the fee harvester rules implemented by the Board. These later changes became effective in, respectively, May and March, 2013.

⁴ 15 U.S.C. 1616(a) (2012).

⁵ See 2013 Report, *supra* note 3; Bureau of Consumer Fin. Prot., *The Consumer Credit Card Market*, (Dec. 2015)(2015 Report), http://files.consumerfinance.gov/f/201512_cfpb_report-the-consumer-credit-card-market.pdf; Bureau of Consumer Fin. Prot., *The Consumer Credit Card Market*, (Dec. 2017) (2017 Report), https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2017.pdf. The Bureau also held a conference in 2011 in which numerous market stakeholders contributed information and perspective on developments in the credit card market. See Press Release, Bureau of Consumer Fin. Prot., *CFPB Launches Public Inquiry on the Impact of the Card Act* (Dec. 19, 2012), available at <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-launches-public-inquiry-on-the-impact-of-the-card-act>.

1.2 Publication

In addition to being delivered to Congress, the full report is available to the public on the Bureau's website at https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2019.pdf.

1.3 Summary of Report

The full 2019 report reviews the state of the consumer credit card market as of the end of 2018. In addition to mandating the Bureau's biennial review and report on the market, the Act also requires the Bureau to "solicit comment from consumers, credit card issuers, and other interested parties" in connection with its review.⁶ As in past years, the Bureau has done so through a Request for Information (RFI) published in the *Federal Register*, and the Bureau discusses specific evidence or arguments provided by commenters throughout the report.⁷

Over the last few years, the credit card market, the largest U.S. consumer lending market measured by number of users, has continued to grow in almost all dimensions and measures. Market conditions remain stable, in large part because of low unemployment, modest wage growth, and high consumer confidence in the past two years. Credit cardholders continue to use their cards to facilitate transactions, smooth consumption, and earn rewards, all with the added security of stringent limitations on liability. Consumer satisfaction with credit cards remains high, while consumers' debt service burden remains near its lowest level recorded in more than a decade.

Late payment and default rates have risen modestly over this period but remain below pre-recession levels. In general, credit card issuers continue to generate profitable returns

⁶ 15 U.S.C. 1616(b) (2012).

⁷ Request for Information Regarding Consumer Credit Card Market, 84 F.R. 647 (Jan. 31, 2019).

consistent with historical levels. Innovation has continued to reshape the market, for both users and providers. New providers, including large and small financial institutions as well as startup and mainstream technology companies have entered—or are in the process of entering—the market with competing products, features, and new ways of issuing credit cards.⁸

Since passage of the CARD Act, researchers, including the Bureau, have studied the effects of the CARD Act on the cost and availability of credit to consumers. This report discusses that research. However, the Bureau also emphasizes that with the passage of time, it is becoming increasingly difficult to correlate the CARD Act with specific effects in the marketplace that have occurred since the issuance of the Bureau’s last biennial report, and, even more so, to demonstrate a causal relationship between the CARD Act and those effects. Accordingly, while the Bureau will continue to report on the CARD Act’s effects where appropriate and feasible, the Bureau anticipates that future reports will focus more on overall conditions in the credit card market.

Continuing past practice, the 2019 report revisits most of the same baseline indicators as prior reports to track key market developments and trends. In addition, the report reviews significant findings from economics scholarship focused on the CARD Act. Below is a summary of the core findings from each section of the report:

- Total outstanding credit card balances have continued to grow and at year-end 2018 were nominally above pre-recession levels. Throughout the post-recession period, including the period since the Bureau’s 2017 Report, purchase volume has grown faster than outstanding balances. After falling to historical lows in the years following the recession,

⁸ Any reference in the 2019 report (or earlier reports) to any specific commercial product, service, firm, or corporation name is for the information and convenience of the public, and does not constitute endorsement or recommendation by the Bureau.

delinquency and charge-off rates have increased over the last two years. Late payment rates have increased for new originations of general purpose and private label cards, both overall and within different credit tiers.

- The total cost of credit (TCC) on revolving accounts has increased over the last two years and in 2018 stood at 18.7 percent, which is the highest overall level observed in the Bureau's biennial reports. Recent TCC increases are largely the result of increases in the indices underlying variable rates, such as the prime rate. General purpose cards, which generally have interest rates linked to the prime rate, have driven the increase across every credit tier. TCC has fallen over the last two years for private label cards, in part because relatively fewer of these cards have rates linked directly to index rates, offset by a decline in fees as a share of balances.
- Most measures of credit card availability—overall and across credit score tiers—have remained stable or decreased slightly since the Bureau's 2017 Report. Measured by application volume, consumer demand for credit cards peaked in 2016. Approval rates have also declined slightly since 2016. Driven by lower approval rates, annual growth in the number of credit card accounts opened and the amount of credit line on new accounts has also leveled off. Even so, total credit line across all consumer credit cards reached \$4.3 trillion in 2018, nearly equal to its pre-recession high, largely due to the growth in unused line on accounts held by consumers with superprime scores.
- Cardholders have increased their use of rewards cards, thereby driving up the cost to industry to fund these products. The level and consumer cost of balance transfer and cash advance use remains largely unchanged.

- In the ten years since the CARD Act was passed, social scientists have examined the Act's effects on consumers and the credit card market as a whole. Using a range of theoretical and empirical approaches, scholarship has looked at a range of potential direct and indirect effects of the CARD Act, including pricing, credit availability, consumer repayment behavior, and cardholding.
- Since the 2017 Report, issuers have lowered the range of their daily limits on debt collection phone calls for delinquent credit card accounts. In addition, over that same period, the volume of balances settled through for-profit debt settlement companies (DSCs) grew at a faster rate than issuers' overall accounts receivable did.
- New technologies further enhance consumers' interactions with and control over their credit cards—from originating one card rather than another, to ways of transacting and paying. Cardholders increasingly use and service their cards through digital portals, including those accessed via mobile devices. New technologies such as artificial intelligence and machine learning, as well as new data sources, are changing how providers are able to manage risk and provide customer service.

1.4 Regulatory agenda

As discussed in its Unified Agenda for Spring 2019, the Bureau is undertaking initiatives to review inherited regulations for the purpose of ensuring that outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens, as well as to fulfill other purposes and objectives of the Bureau and the statutes enumerated in the Dodd-Frank Wall Street Reform and Consumer Protection Act,

including the Truth In Lending Act (TILA), wherein the CARD Act is codified.⁹ As part of its long-term agenda, the Bureau expects to focus on subparts B and G of Regulation Z, which implement the Truth in Lending Act with respect to open-end credit generally and credit cards in particular. For instance, the Bureau expects to consider rules to modernize the procedures for submitting credit card agreements to the database of credit card agreements that it is required to maintain under the CARD Act to reduce burden on issuers that submit credit card agreements to the Bureau and make the database more useful for consumers and the general public. The Bureau expects to identify other opportunities to clarify ambiguities, address developments in the marketplace, and modernize or streamline the open-end credit provisions. That effort will be informed by the Bureau's ongoing monitoring of the consumer credit card market, including the 2019 report.

Dated: August 16, 2019.

Kathleen L. Kraninger,

Director, Bureau of Consumer Financial Protection.

⁹ See <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201904&RIN=3170-AA73>.

